

**MUTUAL AID FUND TRUSTEES MEETING**  
**Kauai Coconut Beach Resort**  
**Saturday, January 20, 2001**

**MINUTES**

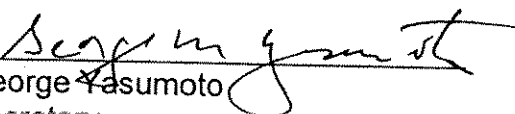
1. **Call to Order.**  
Meeting to called to order at 12:52 p.m. by Chair Adaline Uhrle.
2. **Roll Call.**  
Roll taken - 8 present.
3. **Approval of Agenda for January 20, 2001 Meeting.**  
A M/S/C by Joseph Vegas/Harold Moniz to approve the agenda as printed.
4. **Approval of Minutes for October 19, 2000 Meeting.**  
A M/S/C by Harold Moniz/Rowena Tachibana to accept the minutes as printed.
5. **Election of Officers.**  
An election of officers was conducted by Administrator Gary W. Rodrigues. The following were elected without opposition.  
  
Chair: Adaline Uhrle  
  
Vice Chair: Harold Moniz  
  
Secretary: George Yasumoto
6. **Financial Reports. (12/1/99 to 11/30/00)**  
The reports were explained.  
A M/S/C by Joseph Vegas/Harold Moniz to accept the reports as provided in Item #1.
7. **Audit. (1/1/99 to 12/31/99)**  
The audit was explained.  
A M/S/C by Harold Moniz/Joseph Vegas to accept the audit as provided in Item #2.
8. **Investment Report. (10/1/00 to 11/30/00)**  
No approval required.  
This report, Item #3, is not applicable to the Mutual Aid Fund.
9. **Income and Benefit Report. (11/30/00)**  
No approval required.  
The report was explained as provided in Item #4.

**EXHIBIT D**

Mutual Aid Fund Trustees Meeting - MINUTES  
Kauai Coconut Beach Resort  
Saturday, January 20, 2001  
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10. **Adjournment.**  
Meeting adjourned at 12:57 p.m.

Respectfully Submitted by:

  
George Yasumoto  
Secretary

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Mutual Aid Fund Trust  
United Public Workers,  
AFSCME, Local 646, AFL-CIO

Financial Statements  
December 31, 1999 and 1998

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**Wachi & Watanabe, CPA, Inc.**

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**Mutual Aid Fund Trust  
United Public Workers,  
AFSCME, Local 646, AFL-CIO  
Honolulu, Hawaii**

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## Wachi & Watanabe, CPA, Inc.

A Professional Corporation  
Certified Public Accountants

Stanley S. Wachi, CPA  
Managing Director  
Paul H. Watanabe, CPA  
Senior Director  
Anna M. Noriak, CA  
Senior Manager

### Independent Auditors' Report

Mutual Aid Fund Trust  
United Public Workers,  
AFSCME, Local 646, AFL-CIO

We have audited the accompanying statements of financial position of Mutual Aid Fund Trust of United Public Workers, AFSCME, Local 646, AFL-CIO as of December 31, 1999 and 1998 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mutual Aid Fund Trust of United Public Workers, AFSCME, Local 646, AFL-CIO as of December 31, 1999 and 1998 and the result of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

On January 31, 2000, a lawsuit was filed against Best Rescue System, Inc., for defaulting on amounts owed on promissory notes aggregating \$1,100,000 as of December 31, 1999. Although the collectibility of the amounts owed is not known, management feels that the entire balance will be collected (see Note 3).

*Wachi & Watanabe*

Honolulu, Hawaii  
February 16, 2000

**Mutual Aid Fund Trust  
United Public Workers,  
AFSCME, Local 646, AFL-CIO  
Honolulu, Hawaii**

**Statements of Financial Position**

<b>Assets</b>	<u>December 31, 1999</u>	<u>December 31, 1998</u>
<b>Current assets</b>		
Cash and cash equivalents (note 1)	\$ 300,272	\$ 656,631
Accounts receivable - United Public Workers	15,723	16,579
Investment in marketable securities (note 1)	966,219	1,332,111
Note receivable (note 3)	1,100,000	250,000
Interest receivable	64,392	4,911
Prepayments	320	64
Total current assets	<u>2,446,926</u>	<u>2,260,296</u>
<b>Other asset</b>		
Software, net of accumulated amortization of \$39,500 in 1999 and \$35,750 in 1998 (note 1)	<u>-</u>	<u>3,750</u>
	<u><u>2,446,926</u></u>	<u><u>2,264,046</u></u>
 <b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	2,177	841
Claims payable	28,360	20,020
Total current liabilities	<u>30,537</u>	<u>20,861</u>
<b>Net assets - Unrestricted</b>	<u>2,416,389</u>	<u>2,243,185</u>
	<u><u>\$ 2,446,926</u></u>	<u><u>\$ 2,264,046</u></u>

See notes to financial statements

**Mutual Aid Fund Trust  
United Public Workers,  
AFSCME, Local 646, AFL-CIO  
Honolulu, Hawaii**

**Statements of Activities**

	Year ended December 31, 1999	Year ended December 31, 1998
Unrestricted net assets		
Revenues		
Membership contribution	\$ 191,789	\$ 203,109
Interest income	138,272	38,448
Dividend income	120	8,770
	<u>330,181</u>	<u>250,327</u>
Expenses		
Claim payments (note 2)	178,620	189,250
UPW administrative service fees (note 5)	24,000	24,000
Investment advisory fees	14,565	5,700
Professional fees	5,208	5,000
Hardware support	-	198
Software support	1,336	840
Bank service charges	1,254	44
Printing	217	200
Office expenses	-	76
Amortization of software (note 1)	3,750	7,833
Insurance expense	128	128
Coding and scanning	-	539
	<u>229,078</u>	<u>233,808</u>
Increase in unrestricted net assets before gain on investments	<u>101,103</u>	<u>16,519</u>
Gain on investments		
Realized gain on sale of securities	40,230	176,519
Unrealized gain on securities (note 1)	31,871	475,812
	<u>72,101</u>	<u>652,331</u>
Increase in net assets	173,204	668,850
Net assets at beginning of year	2,243,185	1,574,335
Net assets at end of year	<u>\$ 2,416,389</u>	<u>\$ 2,243,185</u>

See notes to financial statements

**Mutual Aid Fund Trust  
United Public Workers,  
AFSCME, Local 646, AFL-CIO  
Honolulu, Hawaii**

**Statements of Cash Flows**

	Year ended December 31, 1999	Year ended December 31, 1998
Cash flows from operating activities:		
Increase in net assets	\$ 173,204	\$ 668,850
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Amortization of software	3,750	7,833
Gain on sale of marketable securities	(40,230)	(176,519)
Unrealized (gain) loss on marketable securities	(31,871)	(475,812)
(Increase) decrease in operating assets:		
Accounts receivable	856	657
Interest receivable	(59,481)	(2,501)
Prepaid insurance	(256)	128
Increase (decrease) in operating liabilities		
Accounts payable	1,336	(5,946)
Claims payable	8,340	(1,070)
Net cash provided by investing activities	55,648	15,620
Cash flows from investing activities:		
Proceeds from sale of marketable securities	7,788,241	1,831,644
Purchase of marketable securities	(7,350,247)	(1,813,082)
Increase in note receivable	(850,000)	(250,000)
Net cash used by operating activities	(412,006)	(231,438)
Net decrease in cash	(356,358)	(215,818)
Beginning cash	656,631	872,449
Ending cash	\$ 300,272	\$ 656,631

See notes to financial statements



Mutual Aid Fund Trust  
 United Public Workers,  
 AFSCME, Local 646, AFL-CIO  
 Honolulu, Hawaii

Notes to Financial Statements  
 December 31, 1999 and 1998

Note 2 - Significant accounting policies

**Cash and cash equivalents**

Cash and cash equivalents are composed of the following as of December 31:

	<u>1999</u>	<u>1998</u>
Cash and Money Market Funds	<u>\$ 300,272</u>	<u>\$ 656,631</u>

**Investments**

Marketable securities consist of investments in common stocks and U.S. Treasury Bonds that are carried at fair market value.

Investments are composed of the following as of December 31:

	<u>1999</u>		<u>1998</u>
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
			<u>Market</u>
Marketable securities – common stocks & U.S. Treasury Bonds	<u>\$ 934,348</u>	<u>\$ 966,219</u>	<u>\$ 857,772</u>
			<u>\$ 1,332,111</u>

The following summarizes the relationship between carrying values and market values of investment assets:

	<u>Carrying value</u>	<u>Market value</u>	<u>Unrealized gains (losses)</u>
Balance, December 31, 1998	<u>\$ 856,299</u>	<u>\$1,332,111</u>	<u>\$ 475,812</u>
Balance, December 31, 1999	<u>\$ 934,348</u>	<u>\$ 966,219</u>	<u>\$ 31,871</u>

**Mutual Aid Fund Trust  
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AFSCME, Local 646, AFL-CIO  
Honolulu, Hawaii**

**Notes to Financial Statements  
December 31, 1999 and 1998**

Note 1- Significant accounting policies (continued)

**Software**

The cost of software is being amortized over the estimated useful life of the asset using the straight-line method.

**Concentrations of Credit Risk**

The Trust's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents. As of December 31, 1999, the trust maintains its cash accounts primarily in a Hawaii bank. The total cash balances are insured by the FDIC up to \$100,000 per bank. The trust had cash balances at this bank on December 31, 1999 that exceeded the balance insured by the FDIC in the amount of \$200,451.

Note 2 - Organization and purpose

The United Public Workers Mutual Aid Fund Trust is a voluntary hospital benefit plan established for the benefit of the members and employees of the United Public Workers, AFSCME, Local 646, AFL-CIO and their families. It is the purpose of this Trust to assist members when they are hospitalized. Members, employees and their family members may voluntarily contribute \$1 per month to the Trust, entitling them to a hospital benefit of \$30 per day while hospitalized for a maximum period of 60 days per year.

Note 3 - Note Receivable

On November 24, 1998, the trust invested \$250,000 in Best Rescue Systems, Inc. (Best). During 1999 an additional \$850,000 was invested. The invested amounts are evidenced by promissory notes bearing interest at 18% per annum, with interest only payable each month. The notes are secured by all property, equipment, and assets of Best and all shares of stock in Best owned by Robert Kirkland. The trust had the option to convert its investment into common stock of Best after a due diligence period.

**Mutual Aid Fund Trust  
United Public Workers,  
AFSCME, Local 646, AFL-CIO  
Honolulu, Hawaii**

**Notes to Financial Statements  
December 31, 1999 and 1998**

Note 3 - Note Receivable (continued)

On January 31, 2000 the Trust filed a lawsuit against Best and Mr. Kirkland for defaulting on amounts owed on promissory notes aggregating \$1,100,000. Although the collectibility of amounts owed is not known at this time, management feels that the entire balance will be collected.

Note 4 - Income tax status

The Trust is exempt from federal income tax under IRC Sec. 501 (c)(9), and state income tax under HRS 235-9. The Trust is exempt from income taxes as a welfare benefit plan, and is subject to the provisions of the Employee Retirement Income Security Act of 1974.

Note 5 - UPW administrative service fees

The Trust pays the United Public Workers, AFSCME, Local 646, AFL-CIO a monthly fee of \$2,000 for processing member claims, rent, computer maintenance, supplies and utilities.